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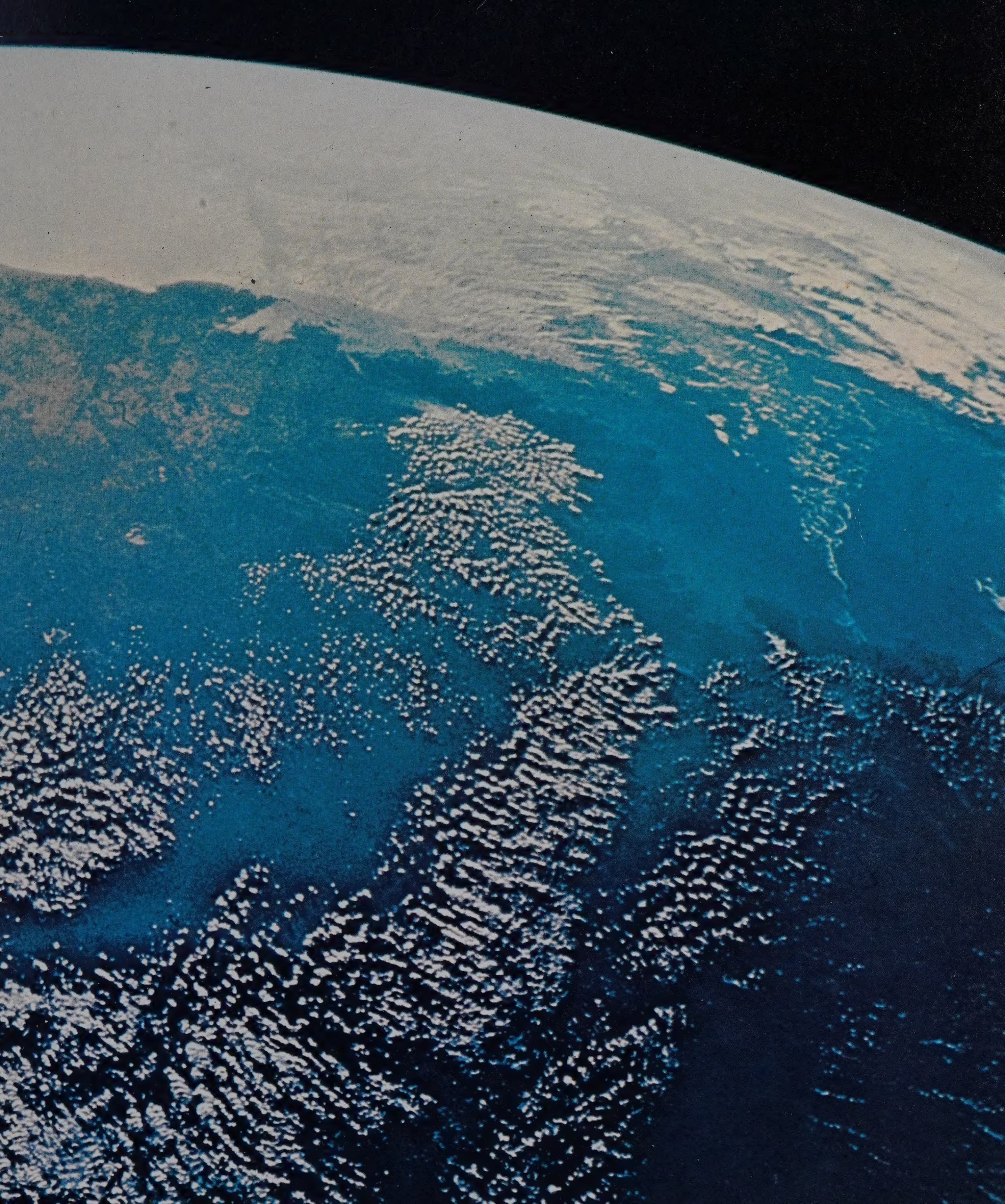
Texas Gulf Sulphur Company
1969 Annual Report



The Earth. As seen from 22,000 miles in space.

A long view. The 1969 Texas Gulf Annual Report takes as its theme a long view of the earth's resources, man's environment, the things that are needed to sustain a better standard of living for a growing population and all mankind.

The year 1969—the end of a decade and the beginning of a new one—is an appropriate time to take a look ahead. 1969 the year when—incredibly—men first walked on the moon.

1970. What are the prospects for developing the natural resources necessary to the decade ahead? To sustain the rate of growth in the developed nations in the world? To eradicate poverty, disease and starvation in the less privileged parts of the world and to set them on their way to a better life? To do all these things without disturbing man's environment in unacceptable ways?

Like most companies which have been successful in developing natural resources over a long period of time, Texas Gulf looks to the future as a way of life. Such companies are by nature long-range planners, thinking in terms not just of five or ten years ahead, but 20, 50 and 100 years. A major mine, processing and related facilities to be rewarding to stockholders, employees and the community must be viable for at least two decades.

Preferably, executives of natural resources companies think not just in terms of their own generation, but plan for decades ahead.

Texas Gulf Sulphur looks to the future. Texas Gulf is a company dedicated to finding, developing and conserving natural resources essential to a higher standard of living for everyone.

Texas Gulf Sulphur Company
1969 Annual Report

About the cover: One of the many spectacular photographs which astronauts have brought back from space: Western Australia (from Perth to Port Darwin) seen from an altitude of 740 miles. The possibilities of increasing man's understanding of the earth through observations from space are just beginning to be explored.

"Given the opportunity, the mining and mineral industry can do more to alleviate world poverty, hunger and human misery, more to close the widening gap between advanced and developing nations, and more to achieve international peace and understanding than any other single force in the world."

Charles W. Court, O.B.E., M.L.A., Minister for Industrial Development and the North West, Western Australia, at the 1969 Convention of the American Mining Congress.

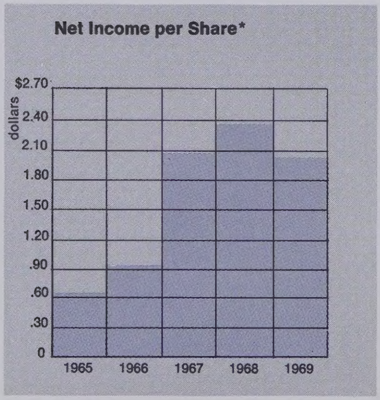
Annual Meeting. The Annual Meeting of Stockholders will be held in the Houston Club building, Houston, Texas on Thursday, April 23, 1970. Notice of Meeting, Proxy Statement and Proxy will be sent to all Stockholders on or about March 24, 1970.

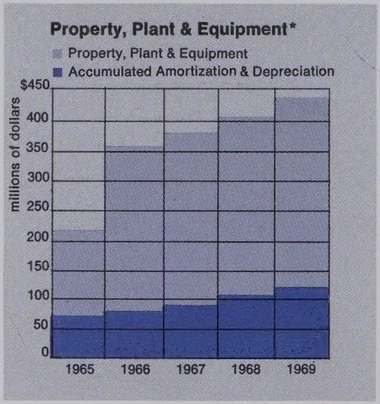
Contents

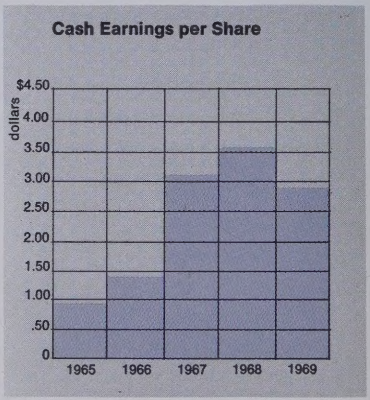
Comparative Financial Highlights

	1969	1968*	1967*
Gross sales	$301,769,167	$309,915,204	$253,098,544
Less zinc and lead smelting and refining charges	$ 62,465,589	$ 43,956,915	$ 30,355,548
	$239,303,578	$265,958,289	$222,742,996
Net income	$ 61,466,584	$ 71,484,967	$ 63,001,813
Net income per share	$ 2.02	$ 2.36	$ 2.08
Cash earnings per share	$ 2.92	$ 3.61	$ 3.08
Cash dividends per share	$ .55	$ .33⅓	$ .13⅓
Working capital	$175,466,588	$153,268,725	$ 69,712,044
Ratio of current assets to current liabilities	4.5 to 1	4.3 to 1	4.0 to 1
Total assets	$576,190,453	$528,891,350	$417,936,136
Non-current notes payable	$117,346,120	$125,500,000	$115,000,000
Stockholders' equity	$344,453,643	$299,548,630	$237,238,046
Number of stockholders of record Dec. 31	72,149**	62,001	48,529
Average number of shares outstanding	30,384,352	30,323,681	30,223,094

*As restated
**There are an estimated 40,000 additional beneficial stockholders







To Our Stockholders

Texas Gulf's sales and earnings in 1969 fell below the record high levels achieved in 1968 largely because of lower sulphur sales and prices. For the first time in the company's history the major contribution to earnings was from products other than sulphur. The company concluded a decade of diversification and now has a broad base of minerals resources. The outlook for earnings in the decade ahead is favorable.

Sales in 1969 amounted to $239,303,578 compared to $265,958,289 in 1968, a decrease of 10 per cent. Net income for 1969 was $61,466,584, or $2.02 per share, compared to $71,484,967, or $2.36 per share in 1968, a decline of 14 per cent. Strong demand worldwide for Texas Gulf's principal metals products helped to offset the effects of another disappointing and profitless year for fertilizers and the second year in which sulphur production exceeded consumption, resulting in sharp reductions in sulphur prices.

The past decade was one of growth through diversification. During this period, sales increased more than four times from $59 million to $239 million. Net income per share (adjusted for the 3-for-1 stock split in 1968) increased from 42¢ to $2.02, and cash earnings per share grew from 59¢ to $2.92. The company's total assets grew from $125.4 million to $576.2 million, and the stockholder's equity from $115.3 million to $344.5 million.

Texas Gulf enters the new decade in a far stronger position than it was in 1960. The long-range growth in demand for all of the company's natural resources is assured. Past exploration and development work has enabled the company to adequately maintain or increase its known reserves. Exploration is the lifeblood of a natural-resources company, and Texas Gulf's exploration effort has been expanded and will continue to be emphasized in the future.

Exploration. These activities were increased in 1969 and extended to more parts of the world with emphasis on a broader range of natural resources, especially oil, gas and iron. Major new projects were started offshore in Africa—Senegal and Malagasy Republic—and in Western Australia. Activities increased in the Gulf of Mexico, the Gulf of Alaska, other parts of the United States, Canada, and Mexico. Because of the greatly expanded magnitude and scope of the company's exploration activities, the policy of accounting for these charges was changed in 1969 to capitalize major exploration programs until they have been determined to be successful or abandoned. In prior years all exploration costs were charged to income currently. The effect of this change in policy on net income per share was an increase of 13 cents in 1969 and 3 cents in 1968.

Sulphur. With more increases in western Canadian by-product sulphur production expected in 1970, the immediate outlook for a return to a better balance between supply and demand is not encouraging. However, in view of the long-range needs for sulphur, the current period of over-supply could be of relatively short duration. A U.S. Department of Commerce official recently warned that

Texas Gulf Production included:

	1969	1968
Sulphur (long tons)		
Frasch	2,527,900	2,692,100
Recovered	515,800	338,900
Oil and Condensates (bbls.)	303,700	289,100
Gas (MMCF)	10,700	10,000
Fertilizer Materials (short tons)		
Potash (muriate)	440,100	410,000
54% Phosphoric acid	439,700	443,500
70% Phosphoric acid	87,200	62,800
Triple superphosphates	243,700	225,700
Diammonium phosphate	121,900	183,300
Metals (short tons)		
Copper concentrates	184,000	205,400
Lead concentrates	93,900	96,000
Zinc concentrates	582,100	562,500
Silver (troy ounces in the concentrates)	13,822,000	13,968,000

Free World sulphur inventories should be much larger than they are. He urged that supplies of at least one and possibly two years should be maintained to insure sustained growth of the economy.

Fertilizer materials. Production of phosphate fertilizer materials in 1969 was limited by unfavorable market conditions, but the long-term growth prospects for fertilizer products, particularly phosphoric acid, are good. During the past three years consumption has been below normal because of unfavorable weather conditions. This in turn has had an adverse effect on sulphur consumption since nearly 50 per cent of all sulphur is used in the manufacture of phosphate fertilizers. Indications are that supply and demand in phosphate fertilizers may soon be in balance in North America and somewhat later in the rest of the world.

In 1969 the company acquired a 40 per cent interest in a new large potash mine in Saskatchewan, Canada, where production costs are substantially less than in the United States. Efforts to reduce costs in Utah to a level competitive with Saskatchewan have not been encouraging. In view of the large over-supply and disastrously low prices, the future of potash production in Utah may depend upon solution mining techniques which are now under study.

Metals. Production at the Kidd Creek Mine and concentrator near Timmins, Ontario, Canada continued to be excellent and the market for zinc, copper, lead and silver is strong. Work has started on the headframe, shaft and ramp for underground mining to be coordinated when completed with open pit production. In 1969 the decision was made to proceed with construction of a zinc plant at an estimated cost of more than $50 million. It will process at least 50 per cent of the zinc concentrates which are presently being sold to custom smelters and will produce about 120,000 short tons of slab zinc metal, 230,000 short tons of sulphuric acid, and 1,000,000 pounds of cadmium metal. Substantial silver and other metal values may also be recovered. It is scheduled to be completed early in 1972, further diversifying the company's operations by placing it in direct zinc metal sales.

Western Australia. A wholly owned subsidiary is exploring several areas in Western Australia. At the Mons Cupri copper-lead-zinc prospect about 150 holes have now been drilled. Drilling in the latter part of 1969 has demonstrated a lack of continuity with erratic grades and values so that tonnages of mineralization previously indicated have been reduced. Exploration work will be continued in the immediate vicinity which includes several large areas yet to be drilled.

Early in 1970 an agreement was reached with Hancock and Wright of Perth, Western Australia, which may lead to a 50-50 joint venture for the development of a major iron ore deposit in the Hamersley Range in Western Australia.

Toronto Stock Exchange. Because of the company's extensive activities in many parts of Canada, the company's shares have been listed on the Toronto

Stock Exchange. Trading began on October 3, 1969. It was hoped that this action would facilitate ownership of the company's shares by more Canadians. However, this objective would be nullified by tax proposals currently under consideration in the Canadian Parliament.

Taxation. Changes in United States tax laws enacted in 1969, especially those affecting depletion allowances, may reduce Texas Gulf's 1970 earnings in the order of 5 cents a share. Reductions in depletion allowances for vital natural resources in the long run can only have a negative effect on the country's economic growth.

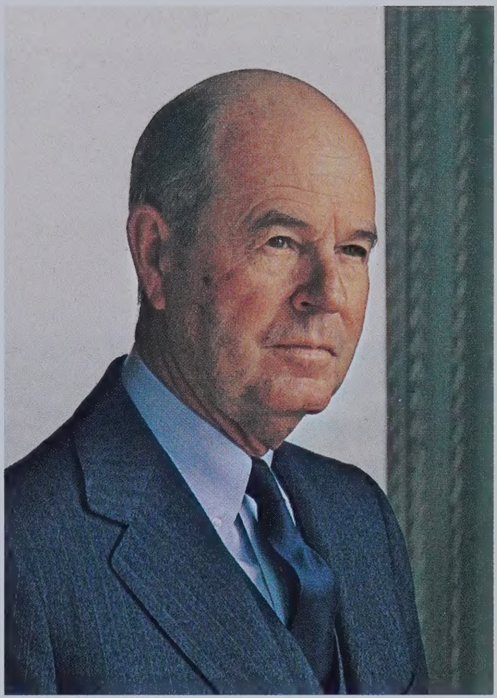
In Canada, proposed tax changes now under consideration may sharply curtail incentives to find and develop new resources and would inevitably inhibit the investment of private capital in natural resources industries.

Organization Changes. A. Nelson Myers, senior vice president, retired after 24 years of service. John W. Hall, Jr. who had been general manager of the Marketing Department, was elected vice president of marketing in January 1970. P. Ray Clarke was elected vice president and manager of Ecstall Mining Limited. Kent D. Hoffman was named manager of metals sales with headquarters in Toronto, Ontario, and Frank J. Claydon, Jr. manager of sulphur sales with headquarters in Houston, Texas. Sales headquarters for fertilizer materials were moved from New York City to Raleigh, North Carolina. Clayton L. Cooper was elected an assistant controller.

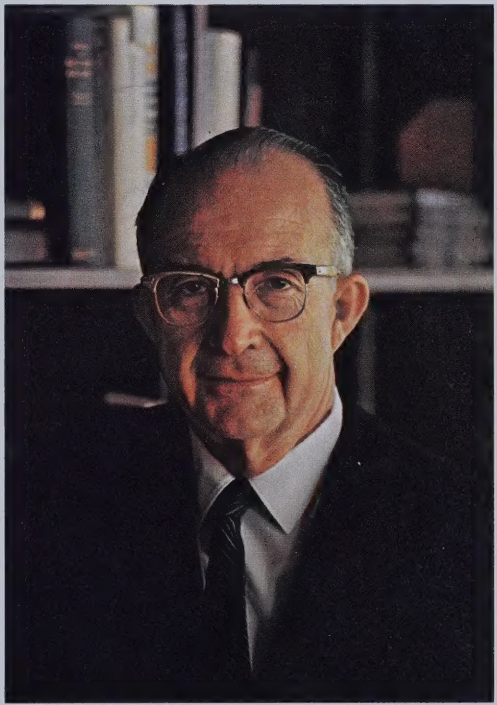
Litigation. The litigation which began five years ago with the filing of a complaint by the SEC was followed by numerous suits by former stockholders and is still in the courts. Important questions of public policy are presented by the new interpretations of the securities laws which have been applied in the SEC's case for the first time. A summary of the current status of the litigation will be found in Note 7 on page 27.

Dividends. The quarterly dividend, which was tripled by continuation of the ten-cent-per share rate following the 3-for-1 stock split in 1968, was increased 50 per cent to 15 cents per share effective the second quarter of 1969. Dividends in 1969 therefore amounted to 55 cents per share compared to 33⅓ cents in 1968.

Texas Gulf looks forward with confidence to meeting the challenges of the 1970's. With the continued dedication and loyalty of its 3,250 employees and the support of more than 100,000 stockholders, the company expects to attain new levels of growth and profitability in the decade ahead.



Claude O. Stephens



Charles F. Fogarty

Respectfully submitted,

Claude O. Stephens, Chairman

Charles F. Fogarty, President

March 6, 1970

Exploration Greatly Expanded

Throughout the 1960's Texas Gulf's exploration activities were expanded from year to year. Expenditures for exploration increased from about one million dollars in 1960 to more than 12 million dollars in 1969, and they will be even greater in 1970.

Exploration work was started under agreements completed early in 1969 with Compagnie Française des Pétroles covering offshore ventures in Senegal, western Africa, and in Malagasy Republic off the southeast coast of Africa in the Indian Ocean. In Senegal, a drilling program for sulphur will explore at least ten large salt-dome structures in water depths of about 100 feet. The initial plan is to drill two tests on each dome. Several tests completed to date have all encountered thick cap rock. Traces of sulphur were found in one test. Several oil tests are also planned, and operations on the first one have started.

In Malagasy Republic geophysical evaluation work was started for oil and gas on a permit covering about eight million acres held jointly by subsidiaries of Texas Gulf and CFP. The first drilling should start later this year.

At Kakwa, Alberta, Canada, Texas Gulf is operator in partnership with other petroleum companies on a 17,500-foot oil test which is one of the deepest yet undertaken in Western Canada.

In the North Battleford area of Saskatchewan, Canada, Texas Gulf has assembled over 300,000 acres of land on which a number of shallow oil tests have been drilled, many of which have encountered indicated oil zones.

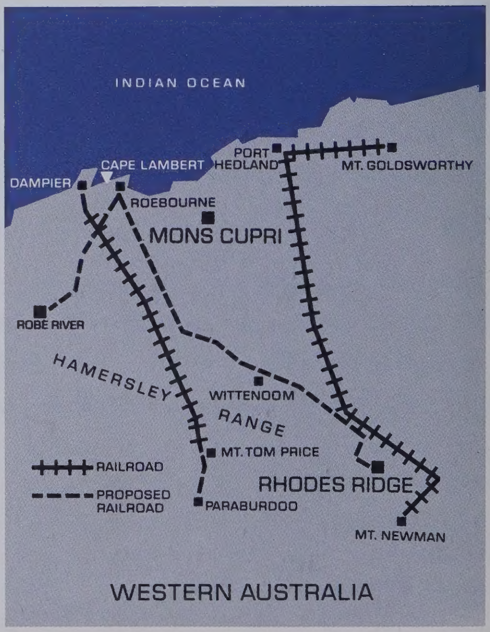
During the year Texas Gulf and partners successfully bid over $4 million on Block 144, West Cameron, in the Gulf of Mexico off Louisiana. Texas Gulf has a 25 per-cent interest in this acreage which is adjacent to a large gas field. This will be a major drilling program in 1970.

In the Gulf of Alaska, in association with others, the company has been conducting extensive geophysical surveys. Drilling for sulphur continued in West Texas. During the year an exploration office was opened in Denver, Colorado to direct and emphasize more exploration throughout the United States.

In 1969 there were many exploration projects for other minerals in Ontario and British Columbia in Canada and some in Africa.

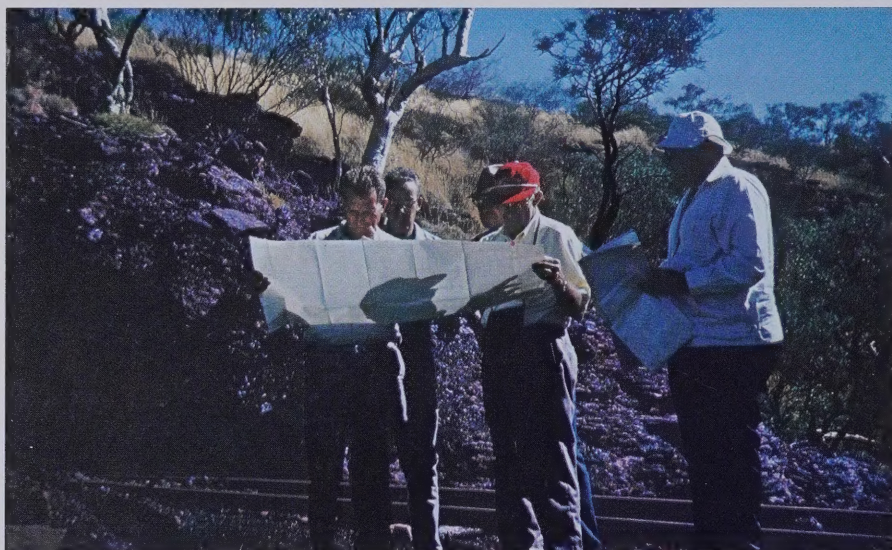
Western Australia. Australian Inland Exploration Company, a wholly-owned subsidiary, is exploring several areas of Western Australia for mineral resources including copper, lead, zinc, nickel, gold and silver, uranium, coal and iron.

At Mons Cupri more drilling and more evaluation work will be needed before a decision can be reached on the commercial feasibility of this copper-lead-zinc prospect. Because of the remote location and lack of utilities and services, the tonnages now indicated may be insufficient for commercial development



An air strip makes access more available to evaluate the extensive hematite iron reserves in the remote Rhodes Ridge area of Western Australia, 700 miles north of Perth. It is about 30 miles northwest of Mt. Newman and 100 miles east of Mt. Tom Price.

E. A. Wright and L. G. Hancock of Perth, Western Australia, are shown with President C. F. Fogarty and other Texas Gulf representatives during an inspection tour of one of the iron ore areas in the Hamersley Range of Western Australia.



under present economic conditions, but the immediate vicinity includes several large areas which will be drilled and the project as a whole will be further evaluated.

In January, 1970 an agreement was signed with Hancock and Wright of Perth, Western Australia, for the right to evaluate and test certain extensive hematitic iron ore reserves in the Hamersley Range of Western Australia preliminary to entering a 50-50 joint venture. Hancock and Wright hold assigned rights of occupancy to reserves which belong to the state of Western Australia in areas covering more than 100 square miles known as Rhodes Ridge, Texas Ridge, Bakers Ridge and Pamelia South. Subject to Government extension of the time of rights of occupancy, Texas Gulf will have about two years to evaluate the reserves and complete feasibility studies.

The proposed joint venture would include construction and operation of a mine, possible pellet plant, two townsites, railroad and port facilities with a design capacity of 10 million tons of iron ore per year. The proposed railroad would run about 250 miles from the mine to a port site on the Indian Ocean to be negotiated with the Western Australian Government.

Metals. Ecstall Mining Limited, Texas Gulf's wholly owned subsidiary in Canada, produced and processed more than 3,600,000 tons of ore at the Kidd Creek Mine and concentrator near Timmins, Ontario, in 1969. While the total tonnage mined in 1969 was about the same as 1968, the 1969 millheads contained more zinc and less copper. As the open pit depth increases, the flexibility in blending of ore is reduced. This flexibility will again be increased when tonnage is mined from the underground in addition to the open pit.

Cape Lambert in the Indian Ocean on the northwest coast of Western Australia is one of the potential port sites for the shipment of iron ore from reserves being evaluated in the Hamersley Range.

The bottom of the open pit reached the seventh 40-foot bench late in 1969. Substantial progress was made on the headframe for an underground mine shaft and a decline ramp for underground mining. Sinking of the 24-foot diameter 3000-foot deep shaft will start in the second quarter of 1970 and be completed by late 1971.

Early in 1969 the decision was made to proceed with a zinc plant adjacent to the Kidd Creek concentrator which will process about one half of the zinc concentrates which are presently sold to outside smelters. It is estimated that this plant will cost more than $50 million. Ground clearing has started and the plant is scheduled to be completed early in 1972. It is designed to produce about 120,000 short tons of slab zinc metal, 230,000 short tons of sulphuric acid and 1,000,000 pounds of cadmium metal. Substantial quantities of silver and other metal values may also be recovered in the residue.

In designing the new zinc plant—as it did in planning the original Kidd Creek Mine and concentrator—Texas Gulf is reviewing its plans with provincial authorities to insure that the construction and operation of the plant will meet the very high standards established for air and water control in Ontario.

During 1969 the market for metals was good, and prices reflected strong demand. Silver prices declined during the first half of the year to a low of $1.56 in June, but then recovered to about $1.90 in the last quarter. Copper prices in the United States advanced to 56¢ a pound from 44¢. Canadian copper prices were 3½¢ below the U.S. producers' price and 20¢ on the average below the world price. Prime western zinc rose from 14¢ to 15½¢ and lead from 14¢ to 16½¢ a pound.

In January 1970 the Canadian Government requested that copper producers in Canada forego a 9¢ per pound increase for the months of January and February in a government campaign to combat inflation. A 2¢ per pound increase to 59¢ (Canadian Funds) was later permitted effective March 1, 1970.

On Baffin Island work on the zinc-lead-silver property at Strathcona Sound in the Canadian Arctic in 1969 revealed that the mineralization previously indicated by drilling is not continuous. Nearly 2,000 feet of tunnels were driven which showed that the mineralization occurred as a series of pods which reduces the previous reserve estimate. Additional work on this project is planned for 1970.

Phosphate Division. Although 1969 production was limited by unfavorable market conditions, the Phosphate Division pressed forward its plans to serve the most promising growth areas for fertilizer materials. Increased production and shipping facilities for phosphoric acids will help serve the expanding liquid fertilizer market. Additional facilities for preparation and shipment of 54% acid

Open pit mining at the Kidd Creek Mine near Timmins, Ontario, Canada, proceeded to the level of the seventh 40-foot bench. Construction of a headframe for an underground mine shaft was started in 1969.

An important part of the continuing environmental study at the Lee Creek Mine: air samples are taken at surrounding locations to provide early warnings of possible air pollution.

will be in place for the 1970 fertilizer season, and the second 70% superphosphoric acid concentrator will start up in mid year.

To provide better customer service, sales headquarters for both phosphate and potash fertilizer materials were moved to Raleigh, North Carolina in 1969.

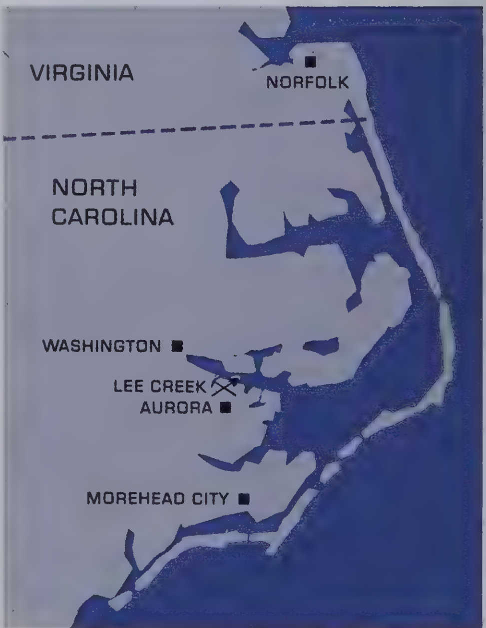
With the growing public emphasis on the importance of environmental controls, Texas Gulf's Lee Creek Mine and processing facilities in Eastern North Carolina stand out as a unique example of responsible corporate planning for the future. The long range goals were set down at the earliest planning stage: to develop profitably the vast phosphate reserves underlying broad areas of Beaufort County and to produce a natural resource vital to the well-being of the world's growing populations over the long-term future.

Before the first earth was turned by Lee Creek's draglines, plans were made for the future in consultation with environmental scientists from North Carolina's leading universities. In 1962—several years before "Ecology" became a household word—the Phosphate Division organized an Ecological study group. A staff reporter for the Virginian Pilot described it this way:

"And in a rare, perhaps unprecedented, move, TGS has set up the Pamlico Estuarine Laboratory, now independent of the company and attached to North Carolina State University. The lab's mission is to monitor and report on the company's impact on the pristine environment of the Pamlico estuary.

"With these and other steps, in fact, the big, profit-seeking company appears to be doing about everything it can to insure that when its strip mining is done there will be no sign a pit was ever dug on the banks of the Pamlico. Profits from this kind of activity are not easily listed in the annual report to stockholders."

The Phosphate Division installed the most advanced equipment available to



Seen from 150 miles in space in this remarkable photo taken from Apollo IX, the Lee Creek Mine in Eastern North Carolina appears as not much more than a dot on the landscape. The exploration for vital natural resources may seem to the layman not unlike the proverbial search for the needle in the haystack.

prevent water and air pollution. The results are constantly monitored. So, too, are the effects of pumping water from the dry open pit. Underneath the phosphate ore zone is a limestone aquifer containing billions of gallons of fresh water. Its artesian pressure is so great that it is necessary to pump the immediate area to keep the pit dry. The reservoir itself is constantly recharged by rainfall. From the beginning, the company has maintained monitoring wells to insure early detection of any possible threat to purity of the ground water as a result of pumping. This monitoring and the advice of expert consultants have repeatedly reaffirmed the company's contention that the operations present no hazard to the water resources of North Carolina.

In 1969, however, the new state Board of Water and Air Resources, created in 1967, issued to the company a limited permit for the withdrawal and use of ground water and surface water at the mine. The restrictions as contained in the permit would force the company to suspend operations since there is no economically feasible alternative method to dry open pit mining. The company is seeking to obtain satisfactory modification of the permit and believes the State of North Carolina will cooperate in efforts to continue the facility on a satisfactory basis.

Potash. Prices in 1969 continued to be drastically below the levels in effect when the company's first venture into this business was planned in the early 1960's, having fallen off more than 50 per cent during this period. The most advanced underground mining methods and machinery have been unable to overcome the problems created by undulations in the orebody at the Cane Creek Mine near Moab, Utah. In spite of the most strenuous efforts to improve efficiency, costs are still not competitive. Experiments in solution mining are now being conducted to test whether costs can be lowered by this method and preliminary results are encouraging.

Potash production costs in Canada are substantially lower than in Utah. In April 1969, Texas Gulf acquired a 40-per-cent interest in the Allan Potash Mines near Saskatoon, Saskatchewan. U.S. Borax and Chemical Corp. has a 40-per-cent interest and Swift Canadian Co. Ltd. owns the remaining 20 per cent in this mine. The processing facilities have an annual production rate of 1.5 million tons of product. Texas Gulf's participation in Allan's production begins January 1, 1970.

Because of the extremely low potash prices, the Government of Saskatchewan recently issued regulations establishing production quotas at about 55 per cent of capacity and a minimum price of approximately $18.75 (U.S.) per ton. It is too early to assess the results of these measures. However, $18.75 is still below the level needed to make potash produced in Utah profitable by its present mining method.

Through the winter months work continued on the construction of a headframe for the underground mining shaft at the Kidd Creek Mine near Timmins, Ontario, Canada. Underground mining will be coordinated with open pit production.

In Saskatchewan, Canada, another headframe for an underground mine won a design award. This 214-foot tall structure at the new Allan Potash Mines was chosen by the American Iron and Steel Institute as the year's best use of steel in high-rise construction.

A second sulphur plant on the Isthmus of Tehuantepec, Mexico is under construction at Texistepec by Compania Exploradora del Istmo, S.A. (CEDI), Texas Gulf's affiliate which also owns the nearby Nopalapa mine.

Trona. The Trona Project at Black's Fork near Green River, Wyoming, is progressing satisfactorily. The shaft has been driven to its total depth of 1500 feet, penetrating the upper and lower main trona beds. An entry in the upper main trona bed has been extended almost 700 feet for rock mechanics tests and for collection of mine design data. Development mining will continue in 1970. The ore is being used for process tests to collect data to make a competitive, quality product for use in the glass and chemical industries.

Sulphur. Free World consumption of sulphur in all forms continued to grow in 1969 and again established a new record of 27.8 million long tons, an increase of 4.1 per cent. Production increased even faster, setting a new record of 28.9 million long tons, 5.3 per cent above the preceding year. As a result, the Free World excess of sulphur production over consumption which began in late 1968 continued throughout 1969.

Texas Gulf's sales of sulphur were adversely affected by reduced requirements of the fertilizer industry which uses about 50 per cent of the sulphur sold in North America. The industrial chemicals segment of the sulphur market, which also represents a substantial part of total sales, increased somewhat in 1969, but not enough to offset the slack in shipments to the fertilizer industry.

Texas Gulf's share of Frasch and recovered sulphur production was again slightly more than 3 million long tons. During 1969 Texas Gulf increased its inventories by more than 600,000 tons. Free World inventories of elemental sulphur increased to an estimated 24 weeks of supply compared to the critically low level of only 12 weeks of supply at the end of five years of shortage at the beginning of 1968. But both the company's and the industry's inventories began

Another view from high in space embraces all of Texas Gulf's five Frasch sulphur mines in Texas, as well as the Beaumont shipping terminal and Houston. The Bully Camp mine in Louisiana lies under the cloud bank at the top of the picture. Area covered by the picture is indicated by shaded area in the map on page 16.

the year 1970 at levels substantially below 1962 when the Free World enjoyed an above ground reserve of 43½ weeks at the then rate of consumption.

Production by the Frasch Sulphur Division at its Texas and Louisiana mines amounted to 2,528,000 long tons in 1969, slightly less than in 1968. Construction of a second plant by our Mexican affiliate is proceeding on schedule. Texas Gulf has a 34 per cent interest in Compania Exploradora del Istmo, S.A. (CEDI) which owns the Nopalapa mine on the Isthmus of Tehuantepec in the state of Vera Cruz. The new plant at nearby Texistepec will be ready for production in the latter part of 1970.

Research and development in the Frasch Sulphur Division has continued to emphasize cost reduction and improved recoveries. The Division has pioneered in the abatement of air and water pollution, and is continually striving to improve still further its methods of maintaining the purity of the environment in which the company operates.

During the year, sulphur sales offices were moved from New York City to Houston, Texas, to provide better coordination of operations and services to customers.

Texas Gulf is the only company which produces sulphur in the United States, Mexico and Canada. Since continuity of supply is so important to the sulphur consuming industry, this flexibility has advantages for customers.

Western Canada. A major factor in the sulphur price decline was the substantial increase in sulphur production and exports by many Canadian producers who are primarily interested in the sale of gas and do not normally like to inventory the by-product sulphur recovered from sour gas. Their efforts to sell into or enlarge their positions in markets during a period of excess supply have resulted in unrealistically low prices which are unrelated to the costs of sulphur production.

From 1967 to 1969 total sulphur production in western Canada increased 74 per cent from 2,165,000 long tons to 3,757,000 tons, while sales of sulphur from western Canada increased only 14 per cent. The Canadian natural gas industry's domestic and export sales increased from 1,290 billion cubic feet in 1968 to 1,433 billion cubic feet in 1969. Another substantial increase to a total of 1,580 billion cubic feet is expected in 1970, which will result in another large increase in sulphur production. The increase has resulted largely from exports of natural gas to the western United States which have been authorized by the Federal Power Commission.

Texas Gulf's share of production from its two sulphur recovery plants in Alberta, Canada totalled 515,800 long tons in 1969, an increase of 176,900 tons over 1968. Most of the increase resulted from operations at Whitecourt which produced new records in all categories. Texas Gulf's share of the production in

Texas Gulf's Gas Division in Alberta, Canada, added substantially to its sulphur inventories in 1969. Adequate aboveground reserves of sulphur are important to serve the emergency needs and long-term industrial and agricultural growth of a nation's economy.

At Kakwa in the Deep Basin Area of West Central Alberta, Canada, Texas Gulf is the operator in partnership with other companies on a 17,500-foot oil test which is one of the deepest yet undertaken in Western Canada.

1969 was 466,300 long tons, compared to 290,000 in 1968, but shipments from Whitecourt were 133,000 tons less than in 1968.

Total production of sulphur recovered from sour gas at the Okotoks plant in 1969 was 132,000 tons, an increase of 1550 tons over 1968.

Oil and Gas. Construction started in the fall of 1969 on the Burnt Timber production complex which will process sour gas from Texas Gulf's holdings in the Hunter Valley and Wildhorse Creek fields in Alberta. Shell Canada Limited is overseeing construction of the plant and field facilities and will be the operator of the completed installation. Texas Gulf's net interest in the operation will be 18.1% and its share of net daily production will be about five million cubic feet of saleable gas and 25 long tons of sulphur.

Texas Gulf's share of oil and gas produced on the Gulf Coast of the United States and in western Canada in 1969 included 303,700 barrels of oil and condensate, compared to 289,100 in 1968, and 10,700 million cubic feet of gas, compared to 10,000 million cubic feet in 1968.

Financial Review

Summary

Gross sales less smelting and refining charges were $239,303,578, down 10% from 1968.

Net income of $61,466,584 or $2.02 per share was down 14%.

Net income was equivalent to 26% of sales and 18% of stockholders' equity.

Non-cash charges amounted to $27,369,000 bringing cash earnings to $2.92 per share.

Working capital increased 14% to $175,466,588.

Capital expenditures were approximately $47,000,000, and total assets were $576,190,453 at year-end.

Stockholders' equity increased 15% with $44,754,280 of earnings reinvested in the company.

Sales

Gross sales of $301,769,167 were down $8,146,037 from 1968. This included a decrease in sulphur and copper sales, more than offsetting a substantial increase in zinc concentrate sales. Metal sales are in two forms—sales of metals and sales of concentrates. In both cases gross sales are determined on the basis of the total metal values. With respect to sales of metal concentrates, contract prices reflect a deduction for smelting and refining charges including metal-value deductions. Because of the increase in sales of zinc concentrates in 1969, these charges increased $18,508,674 to $62,465,589. This resulted in a net increase in zinc concentrate sales after these charges in an amount approximating the decrease in sales of copper and products other than sulphur.

The average net realization per ton of sulphur for the year was about one-sixth less than the year before. The largest decreases were in recovered sulphur from western Canada. Zinc, copper, and lead prices all increased during 1969 and together with silver remained firm at year-end. Fertilizer prices continued at depressed levels throughout the year although there is some hope of improvement in the near future.

Earnings and Dividends

The $10,018,383 decrease in net income for the year is primarily due to the lower prices in the sulphur industry. Earnings from sulphur declined about one-third. With sulphur now accounting for less than half the company's earnings, the advantages of a diversified earnings base are evident. The strength in prices for metals helped to offset somewhat the adverse effect on total earnings of the changes in sulphur prices.

The metals division's earnings were essentially unchanged from 1968. While less copper concentrates were produced compared to 1968, the sale of zinc concentrates increased about one-third, including a reduction of inventories.

Operating results for fertilizers were similar to those in 1968, reflecting the continuation of severe competition within the industry. Other income increased $2,806,949 almost entirely from interest income due to a larger portfolio of short-term cash investments and high interest rates. Net income for 1968 has been restated by an increase of $.03 per share to correspond with practices followed in reporting for 1969. See the notes to the consolidated financial statements for details.

The 190th through 193rd consecutive quarterly dividends were paid in 1969 totaling $16,712,304. The quarterly dividend was increased again starting with the June payment to 15 cents a share. This was an increase of 5 cents or 50% over the previous rate.

Costs and Expenses

Operating delivery and other costs amounted to $147,573,800 in 1969 compared to $155,931,845 the year before. This decrease is caused by somewhat lower costs per ton in the production of fertilizers and lower tonnage sales of sulphur and some fertilizer products. The production of the more profitable fertilizers such as superphosphoric acid has been stressed. Netted against these decreases are increased costs of labor and materials in all areas. Efforts are continuing to maximize production efficiencies. The unit costs of production for metals and sulphur were substantially unchanged from 1968.

Selling, general and administrative expenses were up about $1,400,000, while interest expense at $6,872,241 was about the same as last year.

Income taxes amounted to $22,350,000 a decrease of $7,150,000 from the previous year. This primarily reflects the decline in earnings. Included in income taxes are deferred taxes amounting to $8,800,000. This represents the tax effect resulting from timing differences between financial and taxable income, amortization of 7% investment tax credits in the amount of $600,000, and amortization of expected foreign tax credit carry-

back. If the 10% surtax had not been in effect for the year 1969, net income would have been $2,331,000 higher.

Working Capital

An increase of $22,197,863 in working capital during the year brought the total to $175,466,588. The ratio of current assets to current liabilities was 4.5 to 1.0. Accounts receivable decreased mainly because of lower sulphur prices. Extended terms remained a competitive requirement in the fertilizer trade. Product inventories increased $11,629,266 mostly because of increased sulphur inventories. About two-thirds of product inventory is represented by sulphur, with fertilizers being the next largest followed by metals. Short-term cash investments increased $20,512,506 to $109,962,896. It is expected that this will be fully utilized by the programs planned for the future.

Financing

In February 1969 the first required repayment on the term notes was made in the amount of $10,000,000, reducing the balance outstanding to $70,000,000. Another $10,000,000 was repaid in February 1970, with the remainder being due in three more annual installments of $20,000,000 each. The interest is fixed at 5¼% with respect to three-quarters of the balance outstanding and 5¾% with respect to one-quarter. Annual prepayments in the amount of $2,750,000 are required commencing in 1970 on the 4.7% notes.

Five-year revolving credits through 1973 are available in Euro-dollars and other Euro-currencies totalling $15,000,000 or its equivalent at a commitment fee of ½% of the unused portion. The $500,000 outstanding under these arrangements at the beginning of 1969 was renewed at each maturity throughout the year in order to remain in compliance with the U.S. regulations governing foreign direct investments. The highest interest charge paid for a three-month term was at the rate of 11⅞% per annum, it being the best rate available, in accordance with the credit agreement. In order to comply with U.S. regulations for our overseas activities for the year 1969, 22,000,000 Deutsch marks, the equivalent of $5,961,000, were borrowed late in the year. In February, 1970, at maturity, this was replaced by a Eurodollar obligation in the amount of $4,600,000.

Capital Expenditures

In 1969, capital expenditures amounted to about $47,000,000, more than 50% above the year before. The metals division spent approximately $7,500,000 for the start of underground development and the zinc plant. Loans to our Mexican affiliate CEDI for construction of the new Frasch sulphur plant at Texistepec were nearly $8,300,000. Additionally $6,000,000 was also spent for a 40% interest in Allan Potash. The Transportation and Distribution Department spent about $2,900,000 on such items as rolling stock and terminals to better serve our customers. The other divisions expended usual amounts for replacements and modernization.

The largest single category of capital expenditures in 1969 was exploration which amounted to more than $11,600,000. This is the 10th year in which exploration expenditures exceeded those of the previous year.

For the year 1970 the company has budgeted capital expenditures at over $100,000,000. It is unlikely that additional financing will be required during 1970 other than that necessary to comply with U.S. regulations governing foreign direct investments. However expenditures will result in a significant reduction in short-term cash investments.

Over the next five years, the company's plans may call for very large capital expenditures. These involve projects already committed such as the zinc plant and underground mining development at Timmins and the probable commitment to sizeable projects presently under study. Exploration in such places as Senegal and Malagasy Republic, in the Gulf of Mexico and the Gulf of Alaska will require large sums. If all projects planned for the 1970-1975 period materialize, capital expenditures may be of such magnitude that internal funds may be insufficient to cover total requirements. An outside source might be required, even though the company has substantial cash generating ability.

Consolidated Statement of Income and Retained Earnings

	Year ended December 31 1969	Year ended December 31 1968*
Gross Sales	$301,769,167	$309,915,204
Less zinc and lead smelting and refining charges	62,465,589	43,956,915
	239,303,578	265,958,289
Royalties, Interest and Other Income	10,759,771	7,952,822
	250,063,349	273,911,111
Costs and Expenses		
Operating, delivery and other related costs and expenses, including exploration	147,573,800	155,931,845
Selling, general and administrative	11,800,724	10,390,602
Interest	6,872,241	6,603,697
Income taxes	22,350,000	29,500,000
	188,596,765	202,426,144
Net income for the Year	61,466,584	71,484,967
Retained Earnings January 1	298,130,111	236,755,641
	359,596,695	308,240,608
Deduct cash dividends	16,712,304	10,110,497
Retained Earnings December 31	$342,884,391	$298,130,111
Net Income Per Share	$ 2.02	$ 2.36
Dividends Per Share	$ .55	$.33⅓
Average Number of Shares Outstanding	30,384,352	30,323,681

*As restated — See Note 2.

See accompanying notes to consolidated financial statements.

Consolidated Balance Sheet

ASSETS

	December 31 1969	December 31 1968*
Current Assets		
Cash	$ 13,035,578	$ 13,781,193
Short-term cash investments, at cost which approximates market	109,962,896	89,450,390
Accounts receivable, less allowance of $896,640 in 1969 and $290,000 in 1968	45,856,872	51,394,693
Inventories of minerals and products at lower of average cost or market	49,240,321	37,611,055
Materials and supplies at average cost	8,074,666	7,251,330
Total Current Assets	226,170,333	199,488,661
Investments, Advances and Other Assets		
Securities of and advances to unconsolidated non-exploration subsidiaries and affiliate	20,415,633	8,218,412
Advance payments relating to the Utah potash property less amortization of $832,800 in 1969 and $416,400 in 1968	12,730,073	13,292,030
Notes receivable, advances and other assets	6,659,019	7,713,278
	39,804,725	29,223,720
Property, Plant and Equipment at cost		
Lands, contract rights and development	128,015,733	123,479,334
Plants, buildings, machinery and equipment	285,082,721	271,474,973
	413,098,454	394,954,307
Less accumulated depreciation and amortization	119,308,204	101,530,618
	293,790,250	293,423,689
Unproven properties and exploration projects, including unconsolidated exploration subsidiaries, less reserve for exploration costs of $6,478,151 in 1969 and $6,447,329 in 1968	16,425,145	6,755,280
	310,215,395	300,178,969
	$576,190,453	$528,891,350

*As restated — See Note 2.

See accompanying notes to consolidated financial statements.

LIABILITIES AND STOCKHOLDERS' EQUITY

	December 31 1969	December 31 1968*
Current Liabilities		
Current portion of non-current notes payable	$ 14,115,293	$ 10,000,000
Accounts payable and accrued liabilities	23,474,159	19,202,515
Income taxes payable	5,373,355	12,303,351
Other taxes payable	1,423,982	1,404,067
Deferred income taxes applicable to current assets	6,316,956	3,310,003
Total Current Liabilities	50,703,745	46,219,936
Non-current Notes Payable		
Euro-dollar notes under revolving credit agreements	5,096,120	500,000
Term notes, due 1973	60,000,000	70,000,000
4.70% notes, due 1989	52,250,000	55,000,000
	117,346,120	125,500,000
Deferred Income Taxes	63,686,945	57,622,784
Stockholders' Equity		
Capital stock, without par value—Authorized 45,000,000 shares; issued as follows:		

	1969	1968
Outstanding	30,386,007	30,367,017
In treasury	4,173,993	4,192,983
Issued	34,560,000	34,560,000

	December 31 1969	December 31 1968*
Capital stock issued	26,175,000	26,175,000
Capital surplus from sale of treasury stock	903,175	868,492
Retained earnings, invested in the business	342,884,391	298,130,111
	369,962,566	325,173,603
Less cost of treasury stock	25,508,923	25,624,973
Stockholders' Equity	344,453,643	299,548,630
	$576,190,453	$528,891,350

Funds Statement

Funds were provided from	Year ended December 31 1969	Year ended December 31 1968*
Net income	$61,467,000	$ 71,485,000
Charges to income not involving working capital		
Depreciation and amortization and exploration costs of prior years	18,313,000	22,366,000
Deferred taxes	6,064,000	14,347,000
Other items — net	2,992,000	1,192,000
	88,836,000	109,390,000
Other accounts — net	151,000	1,869,000
Increase in non-current notes payable	5,961,000	20,500,000
	94,948,000	131,759,000
Funds were required for		
Dividends	16,712,000	10,110,000
Portion of notes payable due within one year transferred to current liabilities	14,115,000	10,000,000
Net additions to property, plant and equipment	28,350,000	26,293,000
Additions to investments, advances and other assets over amounts liquidated	13,573,000	1,799,000
	72,750,000	48,202,000
Resulting in an increase in working capital of	$22,198,000	$ 83,557,000

*As restated—See Note 2.

Notes to Consolidated Financial Statements

1. The consolidated financial statements include the accounts of the Company and all of its significant wholly owned subsidiaries. Foreign currency items in the financial statements have been converted at the appropriate rates of exchange.

2. In general, the Company's policy is to depreciate and amortize property, plant, and equipment over the estimated lives of such assets using either the unit-of-production or straight-line method.

The Company and its subsidiaries are engaged in searching for minerals in many parts of the world. In that regard, expenditures are made for land, leaseholds, concessions, geological and geophysical data and drilling. During prior years, it was the Company's practice to set up a 100 per cent reserve for exploration projects until determined to be successful or abandoned.

During 1969, the Company entered into a greatly expanded program of exploration activities in areas such as Australia, Senegal, Malagasy Republic and the Gulf of Mexico. Not only were individual project costs substantially higher, but the new programs reflected a greater diversification in the nature of the Company's operations. Recognizing the significance of these changes, the Company, with the approval of its independent auditors, changed its policy in 1969 to one which is more common to the extractive industries.

Expenditures on major projects were capitalized without a reserve pending a determination of the success of the project. If the project is determined to be unsuccessful, the costs are charged to expense at the time of such determination. As in the past, expenditures on minor projects are fully reserved and general administrative expenses relating to overall exploration efforts are charged to expense as incurred.

The Company believes that a more informative income statement will result from reporting expenses or losses on unsuccessful projects in the period in which the project is determined to be unsuccessful, rather than in the period of the expenditures when it is hoped the project will be successful.

The amendment in policy was given retroactive effect to January 1, 1965, and the 1968 financial statements and the Financial Summary for 1965 to 1968 (pages 28 and 29) have been restated accordingly. As a result, previously reported net income for 1968 was increased $965,134 ($.03 per share). Had the Company not amended its policy, 1969 net income would have been lower by $4,090,931 ($.13 per share).

3. The Company has deferred to future periods the income tax effect resulting from timing differences between financial-statement pretax income and taxable income. The deferred tax pertains principally to depreciable plant and equipment, development costs incurred on several properties, advance net profits payments related to the Utah potash property, and taxes and royalties included in inventories.

Income taxes for 1969 include current Federal, state and foreign taxes of $13,550,000 and deferred taxes and investment credit of $8,800,000. Tax expense is reduced to the extent that Ecstall Mining Limited receives the benefit of the lower effective rate afforded qualifying Western Hemisphere Trade Corporations. The Company expects to recover a portion of U.S. Federal income taxes paid for the current year through the utilization of a foreign tax credit carryback. This expected recovery is being amortized to income over the estimated life of the Kidd Creek property, with $650,000 having been credited to income taxes in 1969. Investment tax credits are deferred (included in deferred taxes) and amortized over the estimated lives of the related assets. Amortization of investment tax credits was $600,000 in 1969. For 1969 realized investment tax credits amounted to approximately $400,000 and at December 31, 1969 investment tax credit carryforwards amount to approximately $700,000.

The Company pays a tax on income from its Kidd Creek mining operations to the Province of Ontario, Canada. Whether this tax represents a deduction in arriving at U.S. taxable income or a credit against U.S. income taxes is unsettled and may not be resolved for many years. The Company has claimed this tax as a credit against U.S. taxes. Income tax expense for 1969 and 1968 will be increased by approximately $4,100,000 and $1,900,000 respectively if the tax is ultimately held to be a deduction.

4. For certain information regarding term notes payable, reference is made to the first paragraph under "Financing" in the Financial Review section of this report. Agreements relating to these notes and the 4.70% notes contain provisions restricting the payment of cash dividends or the acquisition for value of any shares of the Company's stock. Under the most restrictive provisions of such agreements, retained earnings in the approximate amount of $216,000,000 at December 31, 1969 were in excess of such restrictions. Additionally, one of the agreements requires the maintenance of $30,000,000 working capital as defined, which requirement

was substantially exceeded at December 31, 1969. The agreements also provide that funded indebtedness, including the guarantee of obligations of others for borrowed money, may not exceed stockholders' equity plus deferred Federal income taxes.

5. Under a stock option plan approved by the stockholders in April 1961, options may be granted to officers and employees of the Company and subsidiaries to purchase up to 750,000 shares of the Company's stock. Options become exercisable, as to 40 percent eighteen months after date of grant, as to 70 percent three years after date of grant, and as to 100 percent four years after date of grant. Options granted prior to 1964 (restricted options) expire ten years after date of grant; options granted subsequently (qualified options) expire five years after date of grant.

During the Year Options:		Option Price Per Share
Became exercisable as to	39,600 shares	$25⅞
Were exercised on	31,890 shares (a)	7 15/16
Were cancelled on	18,400 shares	25⅞-43 15/16

(a) Includes an option for 12,900 shares which is the subject of litigation. The Company will not issue shares pursuant to this option unless permitted to do so by the final judgment in the litigation.

No options were granted during 1969.

At year end there were 201,500 shares under option, 83,700 of which were exercisable at $25⅞ per share, and 170,890 shares were available for grant. Exercises of stock options accounted for all changes in Capital Surplus and Treasury Stock during 1969 and 1968 as follows:

	1969	1968
Capital Surplus		
Balance at beginning of year	$ 868,492	$ 497,686
Excess of proceeds over cost of treasury stock sold	34,683	370,806
Balance at end of year	$ 903,175	$ 868,492
Treasury Stock		
Balance at beginning of year	$25,624,973	$26,190,281
Cost of 18,990 shares sold in 1969 and 92,505 shares sold in 1968	116,050	565,308
	$25,508,923	$25,624,973

6. The Company and its subsidiaries have a pension plan covering substantially all their employees, including employees in foreign countries. The total pension expense for 1969 was $3,100,000. The Company's policy is to fund pension cost accrued. The market value of the Plan assets, which are funded with trustees, exceeded the actuarially computed value of vested benefits at December 31, 1969. During the year, amendments were made to the Plan expanding certain benefits. The costs of these expanded benefits were offset by updating actuarial assumptions in 1969. Under the actuarial method used, no prior service costs result from the amendments.

7. The Company (together with others) is a defendant in approximately 100 lawsuits in which the plaintiffs claim, in essence, that news concerning the Company's exploration activities near Timmins was improperly withheld. Some of the suits purport to be class actions, and one has been declared to be a class action. The plaintiffs seek both compensatory and punitive damages. While in the opinion of counsel it seems clear that punitive damages will not be recovered, these lawsuits present many other important unresolved issues of law and fact. During 1969 a U.S. District Court awarded damages totaling approximately $21,000 to plaintiffs in three of these suits. Certain other cases were decided in favor of the Company. The three adverse decisions have been appealed by the Company. If the issues in the various cases were ultimately to be resolved adversely to the Company, recoveries could be in substantial amounts, but the Company has been advised by its counsel that, while the outcome is uncertain, in their opinion the Company should be successful in the defense of the claims against it.

The Company is a defendant in a Canadian lawsuit filed in 1966 by the trustee for the Hendrie Estate, which contests the Company's rights with respect to a portion of the Kidd Creek Mine. The annual contribution of that portion of the mine to consolidated net income varies; the contribution to consolidated net income since full-scale production started in 1967 has aggregated approximately 20%. In the opinion of the counsel for the Company, the Company should be successful in the defense of this lawsuit.

In addition, the Company is defending a number of other lawsuits. In the opinion of counsel, the Company will either be successful in defending this additional litigation or will incur no material liability which is not provided for by insurance or otherwise.

8. The Company's net unamortized cost in the Lee Creek phosphate mine and facilities less related deferred taxes was $73 million at December 31, 1969. In 1969, the North Carolina Board of Water and Air Resources issued to the Company a limited permit for the withdrawal and use of ground water and surface water which would force the Company to suspend operations at this mine. The Company is seeking satisfactory modification of this permit and believes the state of North Carolina will cooperate in efforts to continue the facility on a satisfactory basis.

The Company's net unamortized cost in the Cane Creek potash mine, facilities, and advances less related deferred taxes was $41 million at December 31, 1969. Costs of producing potash from this mine using the most advanced underground mining methods and machinery are still not competitive. The future of potash production in Utah may depend on solution mining techniques. Preliminary results of experiments in solution mining are encouraging.

Accountants' Report

Peat, Marwick, Mitchell & Co.
CERTIFIED PUBLIC ACCOUNTANTS
345 PARK AVENUE, NEW YORK, NEW YORK 10022

To the Stockholders of Texas Gulf Sulphur Company:

We have examined the consolidated balance sheet of Texas Gulf Sulphur Company and consolidated subsidiaries as of December 31, 1969 and the related statement of income and retained earnings and the funds statement for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and consolidated statement of income and retained earnings present fairly the financial position of Texas Gulf Sulphur Company and consolidated subsidiaries at December 31, 1969 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year as restated (see note 2). Also, in our opinion, the accompanying funds statement for the year ended December 31, 1969 presents fairly the information shown therein.

March 5, 1970

Peat, Marwick, Mitchell & Co.

Ten Year Financial Summary

Income (in thousands of dollars)	**1969**	**1968***	**1967***
Gross sales	$301,769	$309,915	$253,099
Less zinc and lead smelting and refining charges	62,466	43,957	30,356
	239,303	265,958	222,743
Royalties, interest and other income	10,760	7,953	3,778
Operating, delivery and other related costs and expenses, including exploration	147,574	155,932	125,864
Selling, general and administrative expenses	11,801	10,391	10,120
Interest expense	6,872	6,603	6,835
Income taxes	22,350	29,500	20,700
Net income	61,467	71,485	63,002
Financial Position (in thousands of dollars)			
Current assets	226,170	199,489	92,698
Current liabilities	50,704	46,220	22,986
Working capital	175,466	153,269	69,712
Mineral and product inventories	49,240	37,611	28,999
Property, plant and equipment—net	310,215	300,179	295,245
Total assets	576,190	528,891	417,936
Non-current notes payable	117,346	125,500	115,000
Stockholders' equity	344,454	299,549	237,238
Other Data			
Net income per share	2.02	2.36	2.08
Dividends per share	.55	.33⅓	.13⅓
Number of stockholders	72,149	62,001	48,529
Average number of shares outstanding	30,384,352	30,323,681	30,223,094

* 1965 to 1968 restated. See Note 2 to financial statements. As a result of the restatement, net income per share for 1965-1968 was increased (decreased) from previously reported amounts as follows: 1968, $965,000 or $0.03; 1967, $900,000 or $0.03; 1966, ($233,000) or ($0.01); 1965, $1,049,000 or $0.04.

** Excludes extraordinary income of $1,034,000 or .03¢ per share.

1966*	1965*	1964	1963	1962	1961	1960
$132,718	$ 98,981	$ 70,370	$ 62,249	$ 58,971	$ 58,949	$ 58,935
2,381	—	—	—	—	—	—
130,337	98,981	70,370	62,249	58,971	58,949	58,935
3,338	3,301	2,906	1,327	1,881	1,997	2,263
84,415	68,763	52,173	47,625	40,569	39,607	39,129
9,765	7,362	6,043	5,047	4,396	4,006	4,635
4,732	2,597	2,304	—	—	—	—
6,900	4,350	1,200	1,550	3,750	4,750	4,750
27,863	19,210	11,556	9,354	12,137	12,583	12,684**
57,254	64,500	97,204	64,772	55,826	75,241	82,184
23,725	12,043	10,033	17,797	4,397	6,375	3,543
33,529	52,458	87,171	46,975	51,429	68,866	78,641
18,628	19,738	24,026	27,717	30,315	28,534	26,453
278,410	148,862	92,380	72,732	62,111	41,857	35,019
364,604	242,883	220,643	187,283	141,601	133,875	125,403
135,000	55,000	55,000	—	—	—	—
177,229	153,036	137,382	129,715	124,512	117,886	115,323
.92	.64	.38	.31	.40	.42	.42**
.13⅓	.13⅓	.13⅓	.13⅓	.18⅓	.33⅓	.33⅓
49,553	47,911	50,821	64,918	71,829	71,997	74,666
30,126,680	30,055,922	30,037,566	30,047,814	30,060,000	30,060,000	30,060,000

Officers and Staff

Claude O. Stephens
Chairman of the Board

Charles F. Fogarty
President

David M. Crawford
Secretary and Manager of Public and Government Relations

H. V. W. Donohoo
Vice President
Potash Division, Moab, Utah

James W. Estep
Vice President and General Manager
Gas Division, Calgary, Alberta

John W. Hall, Jr.
Vice President, Marketing

Walter Holyk
Vice President and General Manager of Exploration, Toronto, Ontario

Harold B. Kline
Vice President and General Counsel

Guy T. McBride, Jr.
Vice President and General Manager
Phosphate Division, Aurora, North Carolina

Gordon N. McKee, Jr.
Treasurer

E. Orys Mason
Vice President, Frasch Sulphur Division, Houston, Texas

Walter F. Meyer
Controller

Richard D. Mollison
Vice President, Metals Division, Toronto, Ontario

Administrative	Arthur A. Berger	Office Manager
	Kenneth J. Kutz	Assistant to the President
Employee Relations	Gino P. Giusti	Manager
	Thomas G. Downing	Assistant Manager
	William O. Britt	Compensation Manager
	F. Wayne White	Employee Benefits and Payroll Manager
Exploration Oil, Gas and Sulphur	Frank R. Moulton, Jr.	Assistant General Manager, Houston
	Elgin D. Bell	Regional Manager, Calgary
	Weyman W. Crawford	Regional Manager, Houston
Other Minerals	George W. Mannard	Regional Manager, Toronto
	James A. L. White	Regional Manager, Denver, Colorado
Finance	James A. Campbell	Assistant Controller—Taxes
	Clayton L. Cooper	Assistant Controller—Data Processing
	John T. Duffy	Assistant Controller—Audits & Budgets
	James J. Finn	Assistant Controller—General Accounting
	Robert P. Hedley	Assistant Treasurer
	John E. Johnson	Assistant Treasurer
	William F. Seamon	Credit Manager
Legal	Joseph C. Brown	Assistant General Counsel and Assistant Secretary, Houston
	George W. Hugo	Counsel, Houston
	Earl L. Huntington	Counsel and Assistant Secretary
	David L. James	Counsel
	Ted G. White	Counsel, Houston
	Charles W. Wilder	Counsel and Assistant Secretary

Public Relations	William D. Askin	Editor, Golden Triangle Magazine, Houston
	Leo T. Tarpey	Assistant, Public Relations
Research and Engineering	James R. West	Manager
	Harry G. Bocckino	Assistant Manager
	Robert J. Boyle	Assistant Manager
	Arthur Gloster	Assistant Manager
	Jack H. McLellan	Assistant Manager
Marketing		
Advertising	Jerry L. Cramer	Manager
	Charles S. Bryk	Assistant Manager
Marketing Research	Serge L. Levitsky	Manager
	James A. Orser	Assistant Manager
	Jorg H. Wagner	Senior Market Analyst
Transportation and Distribution	Stephen F. Gilmore	General Manager, Houston
	Wilson R. Atwood	Rail Equipment Manager, Houston
	William A. Carson	Cost and Planning Manager, Houston
	Lewis Johnson	Marine Equipment Manager, Houston
	William H. Johnston	Distribution Manager, Houston
	R. C. Ballard Trigg	Transportation Manager, Houston
	Robert L. Vordick	Terminals Manager
	Maurice S. Weber	Rail/Motor Rates Manager, Houston

Operating Divisions

Armstrong Forest Division	**Johnsonburg, Pennsylvania**	
	Arthur L. Bennett	General Manager
Frasch Sulphur Division	**Houston, Texas**	
	Frank J. Claydon, Jr.	Sales Manager, Sulphur
	H. Newton Cunningham, Jr.	Assistant Sales Manager, Sulphur
	V. Benner Dowe	Government Relations Manager
	Walter B. Gillette	Assistant Sales Manager, Sulphur, New York
	Earl W. Hanna	Assistant to the Vice President
	Newgulf, Texas	
	Charles F. Drees	General Manager
	Arnold F. Zemanek	Assistant General Manager
	Douglas C. Anders	Accounting Manager
	Edward J. Bohuslav	Maintenance Manager
	R. Lindsay Carter, Jr.	Purchasing & Warehousing Manager
	Murray O. Clapp	Traffic Manager
	Edward H. Conroy, Jr.	Quality Control Manager
	Wayne Herrington	Engineering Manager
	Edmond Herschap, Jr.	Employee Relations Manager
	Glenn L. King	Field Manager
	Robert L. McDaniel	Terminal Manager, Beaumont, Texas
	Clyde B. Northcutt	Beaumont Operations Manager, Beaumont
	Lloyd L. O'Neal, Jr.	Mine Manager, Bully Camp, La.
	Byron N. Soderman	Power Plant Manager
	Raymond J. Staffa	Administrative Assistant to General Manager
	Clinton P. White	Public Relations Manager
	Wylie J. Woolsey	Mine Manager, Moss Bluff, Texas
Gas Division	**Calgary, Alberta**	
	Frederick J. Ronicker	Assistant General Manager
	Elmer M. Berlie	Plant Manager, Okotoks, Alberta
	Douglas H. Church	Chief Petroleum Engineer
	Dennis B. Kanten	Traffic Coordinator
	T. Stafford Mosher	Chief Accountant
	Edward W. Plum	Special Projects Engineer
	James J. Rennie	Traffic Superintendent, Whitecourt, Alberta

Metals Division

Ecstall Mining Limited
Kidd Creek Mine, Timmins, Ontario

P. Ray Clarke	Vice President and Manager
Michael P. Amsden	Mill Superintendent
David G. Baskin	Traffic Superintendent
George C. Coupland	Mine Superintendent, Surface
Frank S. Gaunce	Zinc Plant Superintendent
Donald F. Grenville	Employee Relations Superintendent
Gerard F. O'Halloran	Maintenance Superintendent
Alan G. Perry	Engineering Superintendent
Albert W. Scragg	Chief Accountant
Barton A. Thomson	Mine Superintendent, Underground

Toronto, Ontario

Bruce W. Gilbert	Assistant Sales Manager, Metals
Kent D. Hoffman	Sales Manager, Metals
H. Devon Smith	Public Relations Manager
Robert J. C. Tait	Chief Metallurgist

Fertilizer Materials

Phosphate Division

Aurora, North Carolina

David C. Edmiston, Jr.	Assistant General Manager
John G. Althouse	Mine Superintendent (Acting)
Cecil W. Bradley	Traffic Superintendent
June W. Crawford	Engineering Superintendent
Harvey A. Franz, Jr.	Chief Accountant
Robert F. Malkemes	Maintenance Superintendent
Earl M. Mason	Purchasing Agent
John S. Myrick	Acid Plants Superintendent
James R. Paden	Fertilizer Plants Superintendent
John R. Pyburn	Employee Relations Superintendent
Brooks M. Whitehurst	Technical Services Superintendent (Acting)
Thomas J. Wright	Mill Superintendent

Raleigh, North Carolina

Bryan W. Guess	Sales Manager, Potash & Phosphate
Samuel E. Hardwick, Jr.	Northeast Sales Manager, Potash & Phosphate, Richmond, Va.
Jack T. Jones	Southeast Sales Manager, Potash & Phosphate, Atlanta, Ga.
Charles E. Martin	Assistant Sales Manager, Potash & Phosphate
Charles T. Odum, Jr.	Midwest Sales Manager, Potash & Phosphate, Chicago, Ill.

Potash Division

Moab, Utah

Bill L. Bessinger	General Manager
Calvin C. Baughman	Maintenance Superintendent, Underground
Robert L. Curfman	General Superintendent (Acting)
Anthony J. Fratto	Maintenance Superintendent, Surface
George W. Gay	Plant Superintendent (Acting)
Robert F. Mashaw	Mine Superintendent
Frank J. Peternell	Safety Supervisor
J. G. Pinkerton	Administrative Manager
Richard C. Reynolds, Jr.	Employee Relations Supervisor
Everett L. Schumaker	Purchasing Agent

Trona Project, Granger, Wyoming

Robert E. Clagett	Sales Manager, Industrial Chemicals, New York
Edward F. Ziolkowski	Project Manager

Subsidiaries

Australian Inland Exploration Company	Leo J. Miller	President, Perth, Australia
Ecstall Mining Limited	Charles F. Fogarty	President
	Richard D. Mollison	Executive Vice President, Toronto
Texas Gulf Export Corporation	Michael C. Hughes	Vice President, London, England

Affiliates

Cia. Exploradora del Istmo, S.A. (C.E.D.I.)	Robert M. Stoy	TGS Chief Technical Adviser to C.E.D.I., Coatzacoalcos, Mexico
Sulphur Export Corporation	Ernest A. Graupner	President
	Herbert R. Miller	Vice President
Total-Texas Gulf S.A.R.L.	James B. West	General Manager, Dakar, Senegal

Directors

William S. Beinecke
Chairman of the Board
The Sperry and Hutchinson Company
New York, New York

Edward K. Brass
Financial Adviser and
Chairman of Plans and Finance Committee
New York, New York

Harold Decker
Director of Halliburton Company
and Director and Chairman of the
Executive Committee of Eastex, Inc.
Houston, Texas

George S. Eccles
Director, President and
General Manager of
First Security Corporation
Salt Lake City, Utah

Charles F. Fogarty
President
New York, New York

John M. Meyer, Jr.
Chairman of the Board and
Chief Executive Officer
Morgan Guaranty Trust Company of
New York, New York

Thomas M. Phillips
Senior Partner
Baker, Botts, Shepherd & Coates
Houston, Texas

Allan Shivers
Chairman of the Board
Austin National Bank
Austin, Texas

Donald B. Smiley
Chairman of the Board,
Treasurer, and Director
R. H. Macy & Co., Inc.
New York, New York

Claude O. Stephens
Chairman of the Board and
Chief Executive Officer
New York, New York

Lowell C. Wadmond
Partner
White & Case
New York, New York

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200 Park Avenue
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1 Chase Manhattan Plaza
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16 Wall Street
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Transfer Agent — Canada
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